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## THE WHITE HOUSE

WASHINGTON

January 17, 1986

ACTION

NEMORANDUM FOR THE PRESIDENT

PROM:

JOHN M. POINDEXTER

SUBJECT:

Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pere significant threats to the security of Israel. They it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premit. ... the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To arbiave the strategic goal of a more moderate Iranian government the Israelis are prepared to unilaterally commence selling military material to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heratofore unobtainable penetration of ... the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military material, expertise and intelligence that the provision of these resources will regult in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus ellowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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General William French Smith determined that under an appropriate finding you could authorize the LIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign mulitary sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Sconomy act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's ere also sentitive to a strong U.S. desire to free our Seirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments then they are by direct approach. In that we have been unable to exercise any sussion over Mispallah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Seirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend weir has been released and there have been no Shie terrorist steacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the house are not released after the first shipment of 1000 weapons, further transfers would case.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the guarament at a later time.

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The Israelis have asked for our argent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognisent that this entire operation will be terminated if the Iranians abandon their qual of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not reconsent you proceed with this plan. Atterney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Secause of the extrese sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the finding to the Congressional oversight committees until such time that you deem it to be appropriate.

## Recommendation

RK \_

That you sign the . tached Finding.

Prepared by: Oliver L. North

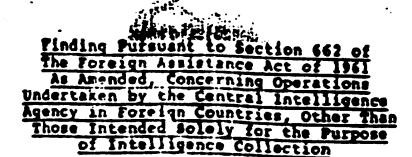
Attachment

Tab A - Covert Action Finding

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Princed was tright welly for this proper VP, Don Regar and Dom Fortie were great.

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I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity ... | security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the Mational Security Act of 1947, as amended, until I otherwise direct.

## Description

ITAR

Assist selected friendly foreign liaison services, third countries (and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed reminst U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate governme: 'in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to the elements, groups, individuels, lisison services and third countries in support of these activities.

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this finding.

The White House Washington, D.C. Date January 17, 1986

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